

State Plan Under Title XIX of the Social Security Act
State: Massachusetts
Institutional Reimbursement

When a Hospital applies to participate in MassHealth, its eligibility and the amount of its adjustment shall be determined. As new Hospitals apply to become MassHealth providers, they may qualify for adjustments if they meet the criteria under one or more of the following DSH classifications. Therefore, some disproportionate share adjustments may require recalculation pursuant to DHCFF regulations set forth at 114.1 CMR 36.07 (see **Exhibit 6**). Hospitals will be informed if the adjustment amount will change due to reapportionment among the qualified group and will be told how overpayments or underpayments by the Division will be handled at that time.

To qualify for a DSH payment adjustment under any classification within **Section IV.D**, a Hospital must meet the obstetrical staffing requirements described in Title XIX at 42 U.S.C. §1396r-4(d) or qualify for the exemption described at 42 U.S.C. §1396r-4(d)(2). All DSH payments are subject to the availability of federal financial participation.

1. High Public Payer Hospitals: Sixty-Three Percent Hospitals
(Total Annual Funding: \$11,700,000)

The eligibility criteria and payment formula for this DSH classification are specified by regulations of the Division of Health Care Finance and Policy (DHCFF) promulgated in accordance with M.G.L. c.118G § 11(a) (See 114.1 CMR 36.07(2) (attached as **Exhibit 6**), and pursuant to its Interagency Service Agreement (ISA) with the Division. For purposes of this classification only, the term "disproportionate share Hospital" refers to any Acute Hospital that exhibits a payer mix where a minimum of sixty-three percent of the Acute Hospital's gross patient service revenue is attributable to Title XVIII and Title XIX of the Federal Social Security Act, other government payers and free care. (See M.G.L. c. 118G §1.)

2. Basic Federally Mandated Disproportionate Share Adjustment
(Total Annual Funding: \$200,000)

The eligibility criteria and payment formula for this DSH classification are described regulations promulgated by DHCFF, pursuant to its ISA with the Division and in accordance with the minimum requirements of 42 U.S.C. §1396r-4. (See 114.1 CMR 36.07(3), attached as **Exhibit 6**).

3. Disproportionate Share Adjustment for Safety Net Providers

A disproportionate share safety net adjustment factor for all eligible hospitals shall be determined.

State Plan Under Title XIX of the Social Security Act
State: Massachusetts
Institutional Reimbursement

This class of hospital was identified and included to ensure that those hospitals that provide the services most critical to the poor are reimbursed for their overload of free care so that they can continue to provide the services that we deem crucial to the provision of adequate health care.

a. Determination of Eligibility

The disproportionate share adjustment for safety net providers is an additional payment for all hospitals eligible for the basic federally-mandated disproportionate share adjustment pursuant to **Section IV.D.2.** above, which also meet the following additional criteria:

- (1) is a public hospital or a public service hospital;
- (2) has a volume of free care charges in FY93 that is at least 15% of total charges;
- (3) is an essential safety net provider in its service area, as demonstrated by delivery of services to populations with special needs, including persons with AIDS, trauma victims, high-risk neonates, and indigent patients without access to other providers;
- (4) has completed an agreement with the Division of Medical Assistance for the federally-mandated disproportionate share adjustment for safety net providers.

b. Payment Methodology

An additional adjustment shall be calculated for federally-mandated disproportionate share hospitals that are eligible for the safety net provider adjustment.

- (1) This payment amount shall be reasonably related to the costs of services provided to patients eligible for medical assistance under Title XIX, or to low-income patients.
- (2) This payment adjustment shall be based on an agreement between the Division and the qualifying hospital. The Division shall make a disproportionate share payment adjustment to the qualifying hospital; provided that such payment shall be adjusted if necessary, to ensure that a qualifying hospital's total disproportionate share adjustment payments for a fiscal year under the State Plan do not exceed 100% of such hospital's total unreimbursed free care and unreimbursed Medicaid costs for the same fiscal year. Such unreimbursed costs shall be calculated by the Division using the best data available, as determined by the Division for the fiscal year.

**State Plan Under Title XIX of the Social Security Act
State: Massachusetts
Institutional Reimbursement**

- (3) The payment of the safety net adjustment to a qualifying hospital in any rate year shall be contingent upon the continued availability of federal financing participation for such payments.

4. Uncompensated Care Disproportionate Share Adjustment

Hospitals eligible for this adjustment are those acute facilities that incur "free care costs" as defined in DHCFP regulations pursuant to M.G.L. c.118G §18. The payment amounts for eligible Hospitals participating in the free care pool are determined and paid by DHCFP in accordance with its regulations at 114.6 CMR 11.00 (see **Exhibit 6**) and its ISA with the Division.

5. Public Health Substance Abuse Disproportionate Share Adjustment

Hospitals eligible for this adjustment are those acute facilities that provide Hospital services to low-income individuals who are uninsured or are covered only by a wholly state-financed program of medical assistance of the Department of Public Health (DPH), in accordance with regulations set forth at 105 CMR 160.000 (attached as **Exhibit 7**) and DPH's ISA with the Division. The payment amounts for eligible Hospitals participating in the Public Health Substance Abuse program are determined and paid by DPH in accordance with regulations at 114.3 CMR 46.00 (attached as **Exhibit 7**) and DPH's ISA with the Division.

The rate methodology used to develop payment amounts for substance abuse inpatient hospital disproportionate share payments is a per diem fee schedule established and approved by the Division of Health Care Finance and Policy for inpatient acute substance abuse treatment services. This per diem is an all-inclusive per diem incorporating all medically necessary routine and ancillary services provided. The per diem rate is based on the costs from the freestanding community inpatient substance abuse treatment setting. These free standing inpatient community costs used to calculate the fee for inpatient acute substance abuse services are substantially less than the actual hospital based costs for the same services.

6. Disproportionate Share Adjustment for Acute Care Non-Profit Teaching Hospitals Affiliated with a State-Owned University Medical School

a. Eligibility

The Division shall determine a disproportionate share payment adjustment for non-profit acute care teaching Hospitals that have an affiliation with a Commonwealth-owned university medical school. In order to be eligible for this disproportionate share payment, the non-profit acute care teaching hospital must:

**State Plan Under Title XIX of the Social Security Act
State: Massachusetts
Institutional Reimbursement**

- (1) enter into an agreement with a state-owned university medical school to purchase from the medical school (a) such medical education activities as are described on **Exhibit 9** attached hereto, (b) clinical support, and (c) clinical activities (collectively, "the purchased services");
- (2) pay the state-owned university medical school for the purchased services in an amount which is the lower of (x) the medical school's costs for such purchased services or (y) an amount equal to the difference between (a) the aggregate reimbursement paid to the Hospital by the Division in accordance with **Section IV.C.4** above, **Section IV.C** of Attachment 4.19B(1), and this **Section IV.D.7**; and (b) the reimbursement which would otherwise have been paid to the Hospital by the Division if the Hospital were not affiliated with a state-owned university medical school.
- (3) have a common mission as established by state law, with the state-owned university medical school dedicated to train physicians, nurses and allied health professionals according to high professional ethical standards and to provide high quality health care services;
- (4) be the subject of an appropriation or authorization for this purpose.

b. Payment Amount

The Division provides eligible hospitals with instructions relative to the filing of cost reports necessary for calculation of the adjustment and calculates an adjustment for eligible Hospitals. This adjustment shall be reasonably related to the costs, volume or proportion of services provided to patients eligible for medical assistance under Title XIX or to low-income patients, and equals the amount of funds specified in an agreement between the Division of Medical Assistance and relevant governmental unit. For purposes of this adjustment, the Division shall deem the costs of the medical and paramedical education services specified in **Exhibit 9** to constitute costs of services provided by the Hospital to patients eligible for medical assistance under Title XIX, or to low-income patients. This disproportionate share adjustment will reimburse only those costs that have not otherwise been reimbursed and will be paid subject to the availability of federal financial participation.

State Plan Under Title XIX of the Social Security Act
State: Massachusetts
Institutional Reimbursement

7. Disproportionate Share Adjustment for Pediatric Specialty Hospitals and Hospitals with Pediatric Specialty Units

The eligibility criteria and payment formula for this DSH classification are specified by regulations of DHCFP, promulgated in accordance with M.G.L. c. 118G §11(a) (see 114.1 CMR 36.07(8) attached as **Exhibit 6**). In order to be eligible for this adjustment, the Hospital must be a Pediatric Specialty Hospital or Hospital with a Pediatric Specialty Unit as defined **Section II**. In addition, the Hospital must have a signed Contract with the Division for the period that such adjustment is in effect. The availability of and total amount of funds allocated for payment in accordance with this paragraph are subject to specific legislative appropriation.

8. Public Health Disproportionate Share Hospital Adjustment

Hospitals eligible for this adjustment are those acute hospitals that provide outpatient hospital and hospital-licensed health center services to uninsured and other low-income individuals pursuant to state-funded programs of medical assistance of the Massachusetts Department of Public Health. Such programs include programs targeting uninsured students, and programs for screening, counseling, prevention and referrals for sexually transmitted diseases, HIV, and breast and cervical cancer. In accordance with an ISA between the Division and DPH, eligible hospitals are determined and paid on a periodic basis based on their reasonable costs of providing the contracted services; provided that such payments shall be adjusted, if necessary, to ensure that a qualifying hospital's disproportionate share hospital payments for a fiscal year under the State Plan do not exceed 100% of such hospital's total unreimbursed free care and unreimbursed Medicaid costs for the same fiscal year. Such unreimbursed costs shall be calculated by the Division using the best data available, as determined by the Division for the fiscal year.

E. Upper Limit Review and Federal Approval

Payment adjustments may be made for reasons relating to the Upper Limit, if the number of hospitals that apply and qualify changes, if updated information necessitates a change, or as otherwise required by CMS.

If any portion of the reimbursement methodology is not approved by CMS, the Division may recoup or offset against future payments, any payment made to a Hospital in excess of the approved methodology.

State Plan Under Title XIX of the Social Security Act
State: Massachusetts
Institutional Reimbursement

F. Treatment of Reimbursement for Members in the Hospital on the Effective Date of the Hospital Contract

Except where payments are made on a per diem basis, the Division shall reimburse participating Hospitals for services provided to MassHealth members who are at acute inpatient status prior to October 1, 2002, and who remain at acute inpatient status on or after October 1, 2002, at the Hospital's rates established by the RY03 RFA. Reimbursement to participating Hospitals for services provided to MassHealth members who are admitted on or after October 1, 2002, shall be reimbursed at the RY03 Hospital rates.

G. Future Rate Years

Adjustments may be made each Rate Year to update rates and shall be made in accordance with the Hospital Contract in effect on that date.

H. Errors in Calculation of Pass-through Amounts, Capital Costs or Casemix

As set forth below, the Division will make corrections to the final Hospital-specific rate retroactive to the effective date of the Contract resulting from this RFA. Such corrections will not affect computation of the statewide average payment amount or of any of the efficiency standards applied to inpatient and outpatient costs, or to capital costs.

1. Errors in Calculation of Pass-Through or Capital Costs

If a transcription error occurred or if the incorrect line was transcribed in the calculation of the RY03 pass-through costs or capital costs, resulting in an amount not consistent with the methodology, a correction can be made at any time during the Contract year for errors in RY03, upon agreement by both parties.

2. Errors in Calculation of Casemix

In the event of a failure to include all diagnoses or procedure codes resulting in an amount not consistent with the methodology, a correction can be made at any time during the contract year for errors in RY03, upon agreement by both parties.

State Plan Under Title XIX of the Social Security Act
State: Massachusetts
Institutional Reimbursement

I. New Hospitals/Hospital Change of Ownership

For any newly participating Hospital, or any Hospital which is party to a merger, sale of assets, or other transaction involving the identity, licensure, ownership or operation of the Hospital during the effective period of this RFA, the Division, in its sole discretion, shall determine, on a case by case basis (1) whether the Hospital qualifies for reimbursement under the RFA, and, if so, (2) the appropriate rates of reimbursement. Such rates of reimbursement shall be determined in accordance with the provisions of the RFA to the extent the Division deems possible. The Division's determination shall be based on the totality of the circumstances. Any such rate may, in the Division's sole discretion, affect computation of the statewide average payment amount and/or any efficiency standard. Division-issued Provider numbers are not assignable to new entities.

J. Data Sources

If data sources specified in the RFA are not available, or if other factors do not permit precise conformity with the provisions of the RFA, the Division shall select such substitute data sources or other methodology(ies) that the Division deems appropriate in determining Hospitals' rates.